

Market Update

22nd January 2021

Geo-political

President Biden inauguration – Joe Biden, took to the stage on Wednesday at the US Capitol to be sworn in as the new president of the United States. During his inauguration speech, President Biden said it was “America’s day”, while calling for an end of the “uncivil war” which divides the country at present. Once in office, Mr Biden almost immediately signed sweeping actions to combat climate change, moving to re-join The Paris Agreement and imposing a temporary prohibition order on oil leasing in the Arctic National Wildlife Refuge. The President also signed the Defence Production Act, which gives the Executive Branch the ability to force companies which are able to produce materials/products which will help in the fight against Covid-19. He also warned that although infections may have peaked in the US, there still may be as many as 100,000 more deaths in the US over the next month due to Covid-19.

Economic data – In a busy week data wise, the UK Office for National Statistics revealed that retail sales in 2020 fell by 1.9%, the largest year on year fall since records began. The UK government also increased its borrowing in December by £34 billion, the highest December borrowing since monthly records began in December 1993. UK inflation gathered momentum in December, with consumer prices rising 0.6% in annual terms due to a combination of pandemic fighting measures, Brexit and a recovery in the economy.

In Europe, the European Central Bank (ECB) decided to keep its interest rate and its asset-buying programme unchanged in its announcement on Thursday. Flash eurozone purchasing managers index showed a drop in January, to a two month low of 47.5, down from 49.1 in December.

Market Summary

Global Equities – Major global equity benchmarks finished the week mixed at Thursday’s close. In the UK, the FTSE 100 slipped slightly lower due to a rally in sterling and the ECB deciding to leave rates unchanged, after initially gaining on the back of Biden’s inauguration. In the US, major indices touched all-time highs once again on the possibility of fresh stimulus package and new executive orders signed by the president. Asian equity indices rallied sharply, also fuelled by the start of Biden’s presidency as well as news from both China and Japan’s central banks confirming that they are holding monetary policy steady.

Commodities – Gold prices held on to gains made throughout the week as at Thursday’s close after surging during Wednesday on hopes of further US stimulus under President Biden. At Friday’s open however, the gains slipped slightly as the US dollar strengthened, although the precious metal will still on course for its biggest weekly gain in five weeks.

Oil prices (Brent Crude & WTI) fell sharply lower on Friday, putting the commodity on track for a weekly loss. Worries that new pandemic restrictions in China will curb the demand from the world’s biggest oil importer were enough to wipe out midweek gains. In the long term, according to Goldman Sachs, the new US administration’s plans for large fiscal spending and little urgency to lift sanctions on Iran are constructive for oil prices in the long run.

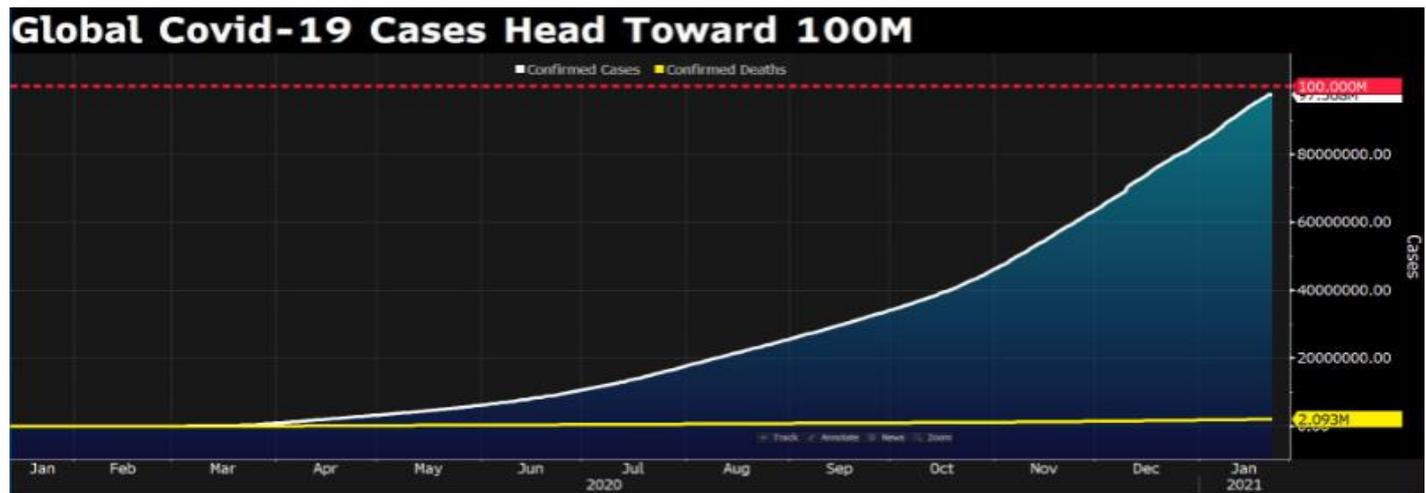
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Chart of the week



Source: Bloomberg – Covid-19 cases reach 100 million globally as positive cases spike in Asia

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- France GDP - Germany CPI		- US FOMC rate announcement	- Japan unemployment rate	- Germany unemployment rate

Market Performance 2021 – 22/01/2021

Global Market Indices	2021 YTD %*
FTSE 100	2.22%
S&P 500	4.19%
Dax	1.31%
Nikkei 225	5.50%
Hang Seng	8.94%
Fixed Income	Yield %
UK 10 Yr Gilt	0.33%
US 10 Yr Treasury	1.10%
Commodities	2021 YTD %
Gold	-1.47%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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